

DEPARTMENT OF SOCIAL SERVICES

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November 12, 1985

ALL-COUNTY LETTER NO. 85-114

TO: ALL-COUNTY WELFARE DIRECTORS
ALL DISTRICT ATTORNEYS
ALL IV-D AGENCIES

SUBJECT: PRIOR APPROVAL AND REPORTING REQUIREMENTS FOR DATA
PROCESSING EXPENDITURES

REFERENCE:

The Department of Health and Human Services (DHHS) has notified all States that Federal matching funding will not be granted for any data processing project where prior approval is required but not obtained. While this policy requirement has existed for some time, DHHS has previously provided retroactive "prior" approval fairly routinely. DHHS has now, apparently, decided that it will no longer provide retroactive approvals. Attached is a copy of the DHHS letter.

Counties proceeding with development and installation of data processing systems or procurement of data processing equipment/services prior to receipt of State and Federal approval will not be granted State and Federal financial participation. Therefore, counties are advised to prepare and submit appropriate funding requests to the Department of Social Services (DSS) well in advance of any development or procurement activities. Counties should keep in mind that the simplest project has generally taken a minimum of four months and a complex one a minimum of nine months to process through the State and Federal agencies.

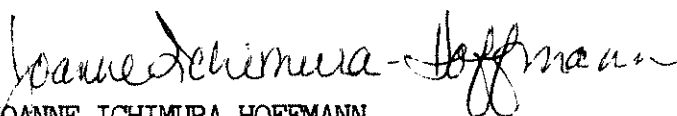
In addition, if there is a potential for a cost overrun in any procurement for equipment/services, development, or maintenance and operations, prior approval must be obtained before such costs are incurred. Such requests must be accompanied by a full explanation of the need for additional funding and a revised cost/benefit analysis. Counties should attempt to identify the need for additional funds early in order to secure the necessary State and Federal approvals.

As a reminder, attached is a list of reporting requirements which must be met to assure State and Federal funding.

Even though DHHS has released this policy, we are currently working with other states to obtain an acceptable revision. We will keep you informed of any progress or change.

If you have any questions or concerns regarding the above, please call Jane R. Owens, Chief, Systems, Fraud and Audits Branch at (916) 924-2534 or Phyllis Iwasaki, Manager, County Approvals Section at (916) 924-2911.

Sincerely,


JOANNE ICHIMURA-HOFFMANN
Deputy Director
Management Systems and
Evaluation Division

Attachments

cc: County Welfare Directors Association

Ms. Phyllis Iwasaki
Manager, County EDP Section
California Department of Social Services
744 P Street, MS 19-12
Sacramento, California 95814

Dear Ms. Iwasaki:

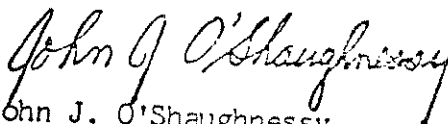
I am writing to you, and the heads of all State public assistance agencies, in order to clarify the Department of Health and Human Services' (HHS') requirement for States to obtain prior written approval before proceeding to acquire automatic data processing equipment and services, or develop and install automatic data processing information systems, for which a State will claim HHS matching funds. I wish to remind you that HHS' current regulations at 45 CFR 95.601, et seq., which govern the prior approval requirement, do not permit waiving this requirement. For this reason, States should not expect HHS to fund retroactively automatic data processing acquisitions or system developments and installations that were initiated subsequent to promulgation of these governing rules.

A State must request and receive prior written HHS approval for such undertakings before HHS will provide matching funds. If a State does submit a request for retroactive approval and funding of the design, development and installation of an automatic data processing system, or the acquisition of automatic data processing equipment or services, the Department will deny the request.

The Department is in the process of finalizing the proposed revisions to 45 CFR 95.601, et seq., which appeared in the November 19, 1984 Federal Register as a notice of proposed rulemaking. As part of this rulemaking, we are considering the revision of the Department's policy regarding the prior approval requirement.

If you or members of your staff have questions concerning this issue, please contact Joseph F. Costa, Director, Office of Public and State Data Systems on (202) 245-7488.

Yours truly,



John J. O'Shaughnessy
Assistant Secretary for
Management and Budget

cc: Jo Ann Ross, SSA
John Berry, HCFA
Naomi Marr, OCSE
Richard Shute, OHDS

Reporting Requirements

- o The Department of Health and Human Services (DHHS) has directed that in the future feasibility studies be prepared and presented in the DHHS Advance Planning Document format. We have attached a copy of the prescribed format for your convenience. However, counties will still need to supply the same information and the same level of detail as described in Division 28.
- o Every system request should include a well-defined and sufficiently detailed budget section, which should be clearly listed in the table of contents, or otherwise easily found. If a county does not include such a budget section, action on the request will be withheld until receipt of an adequate budget section. The budget section must show the estimated costs of the project, and the basis on which those costs will be distributed to the various DHHS and non-DHHS programs. It must identify all the DHHS programs by the specific title of the Social Security Act under which funding is being sought, and categorize the funding in terms of project dollars (rather than Federal financial participation (FFP) amounts), by the appropriate level of FFP being sought.
- o Counties are reminded to submit quarterly progress reports during the development phase of a project. Quarterly reports should identify costs at the same level of detail as in the Statewide Automated Welfare System (SAWS) Cost Benefit Analysis/Implementation Plan (CBA/IP). Failure to provide quarterly progress reports will result in suspension of developmental funding. The Department uses quarterly reports to monitor the progress of projects. Quarterly reports are due by the 15th day following the end of the quarter.
- o A Post Implementation Evaluation Report (PIER) should be submitted as soon as possible after implementation. However, this should not be before initial operational problems are resolved or prior to the accumulation of sufficient data and experience to adequately judge the system performance. The optimum time after implementation to conduct a review is dependent upon the specific application, but a general rule would be six months after implementation. PIERs, as well as Quarterly reports, should identify costs at the same level of detail as in the SAWS CBA/IP.

ADVANCED PLANNING DOCUMENT (APD) FORMAT
(including significant questions for guidance)

A. System Need

Does the plan state the requirement which the system or system modification is intended to satisfy, such as:

- (a) a new Federal/State statutory or regulatory requirement, or
- (b) other requirement that necessitated the development of the advanced plan?

B. System Objective

Does the plan explain what the system is supposed to do, and how it will support programmatic or administrative objectives of each DHHS funded program; e.g.:

- (a) new or improved service delivery,
- (b) operational efficiency, and/or
- (c) programmatic or administrative accountability?

C. Nature and Scope of the System

1. Does the plan identify program(s) covered and give sufficient detail to enable each program component to identify functions and/or services provided or supported?
2. Does the plan describe the relationship of the proposed system to another existing system(s), and how the systems will interface?

D. Proposed Approach to System Development

1. Does the plan provide a narrative description of the proposed approach to system development, including the following types of information:
 - (a) will the proposed system replace an existing system or will it make additions, deletions, or changes to an existing system;
 - (b) is the proposed system designed around existing functional organizations and existing procedures; if not, does the plan provide for determining changes required in the organizational or procedural structure in a time frame consistent with the system development schedule; or

- (c) are the functions of the proposed system duplicated in another system(s) currently in operation in the State; if so, does the plan provide for phasing out the duplicated functions, or is justification provided for the duplication?

E. Alternative Considerations

1. Are all viable alternatives costed out?
2. Does the plan describe specifically the alternative selected?
3. Does the plan explain why the proposed system was selected, and the advantages of it versus other means of satisfying the county needs and objectives (e.g., if the proposed system is a new system, did the county consider upgrading system(s) or transferring in another system), or
4. Does the plan identify alternative considerations as project milestones in the proposed activity schedule of projects that propose, as a first phase, a feasibility study to determine a system approach?

F. Proposed Activity Schedule

1. Does the plan describe the major phases and related tasks to be performed, and provide major project milestones and target dates for phase and task completion?
2. Does the plan have decision points where the county examines results to date, and decides on continued development or termination?
3. Does the plan allow time for review and approval of phased activities?

G. System Accountability

1. Does the plan specify organizational responsibility for ensuring that the system performs properly and efficiently?
2. Does the plan describe the project management structure?
3. Does the plan name the county project director and give his/her functional title and telephone number?

H. Cost Analysis/Benefits Anticipated

1. Does the plan provide the estimated cost to develop and operate the system?
2. Does the plan include or reference a methodology for directly charging development and operational costs to the various funding sources?
3. Does the plan explain the proposed methodology for distributing overhead costs that cannot be directly charged?

4. Does the plan explain the quantifiable and/or intangible benefits related to each of the funding sources; e.g., if the system is intended to detect or control administrative or programmatic fraud or waste, does the plan estimate anticipated savings?
5. Does the plan indicate the expected useful life of the system in relation to county needs?

I. Resource Statement

1. Does the plan provide an estimate of resources required to develop and operate the system:
 - (a) personnel,
 - (b) hardware,
 - (c) software, and
 - (d) other?
2. Does the plan commit county staff, or describe how the county will acquire needed resources from an outside source(s)?
3. Does the plan indicate that the county has sufficient equipment capacity to develop and operate the system, or describe how the county will acquire the equipment?
4. Does the plan provide evidence that procurement activities comply with Federal procurement regulations?

J. Budget

1. Does the plan include a proposed budget?
2. Does the plan provide a schedule of budgeted expenditures that corresponds with the activity schedule and resource statement?
3. Does the plan explain that matching county funds are available for the system or describe how the county proposes to obtain county funds for the system?